

Intellectual Property Issues For Small Business

BrettTrout.com

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A Lot at Stake

- Assets – Google TM - \$32B
- Lawsuits - Medtronic Licensing - \$1.35B
- Business - Formula for Coke = priceless

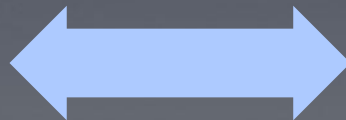
Why Worry About IP?

- IP is the most valuable asset of many of the world's largest companies
 - Google
 - Coke
 - Microsoft
- Trademark alone can be >80% of company's value

Law



Bad Guy



\$

Who is on the other side?

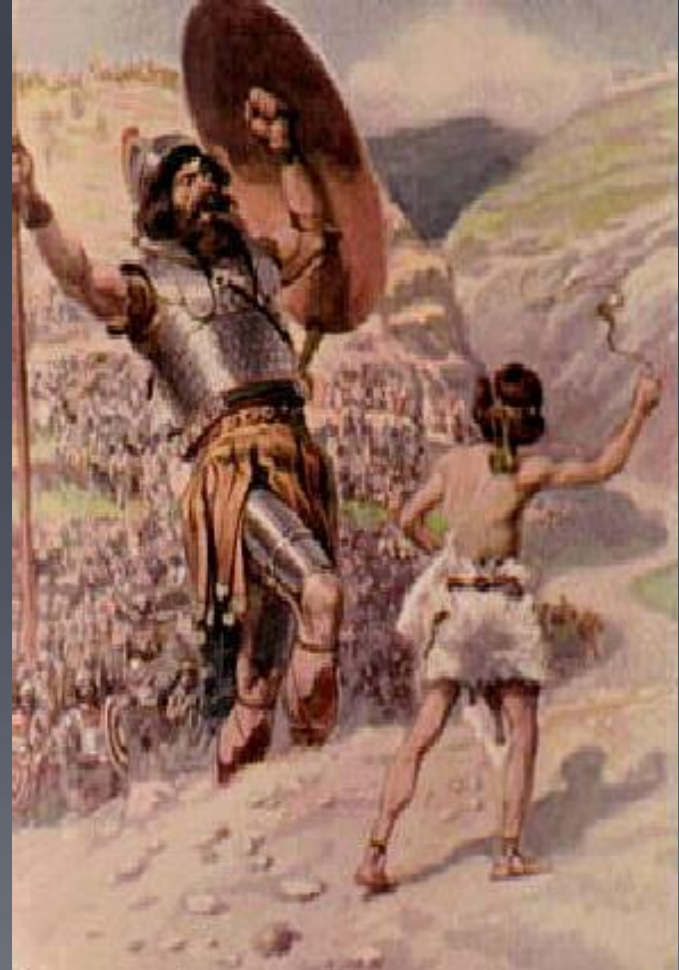


Can They Go the Distance?

\$50K?

\$1M?

Will they?



Size Matters



But it's only \$500

- RIAA
- Patent Holder
- You are an easy win
- Cut their nose off to spite their face

Why?

- Stifle competition – Fonzie factor
 - Size differential – 800lb gorilla
 - Revenue stream – Patent Troll
- Company exists on single patent
 - A whole lot of other factors

Lowslides and Highslides



Lowslides



Highsides



Intellectual Property

1. What is Intellectual Property?
2. IP Infringement Lawsuits
3. Building a portfolio

1. What is Intellectual Property?

Products of the Mind

Invention - Patents
Brands – Trademark
Authorship - Copyright
Secrets – Trade Secrets

Patent



New

Useful

Not Obvious

Not Patentable



- Ideas
- Obvious combos
 - Illegal items
- Immoral items

“Internet” Patents

State Street Bank – 1998

Allowed patenting a business method

In re Bilski – 2010

Some business methods are not patentable

Business Method Applications

Amazon.Com -One-Click

AskJeeves.com - Plain English search

Lycos – Search engine technology

Cybergold – Paying to read ads

Difficult to Get

Hard to get a business
method patent issued today

Will likely be even harder in the future

Requires changing and specialized drafting

Trademark

Mark used to identify source

Types of Trademarks

Fanciful – Qwing

Arbitrary – Royal

Suggestive – NoDoze

Descriptive – red

Generic - apple

Types of Trademarks

Color – pink for fiberglass

Sound – NBC chimes

Scent – floral scent for yarn

Correct Usage

® only for federally *registered* trademarks

TM or SM for any mark

Incorrect Usage

Loss of trademark

thermos

escalator

cellophane

yo-yo

Types of TM Protection

Common law

State

Federal

Copyright ©

- Original works of authorship
- Fixed in a tangible medium



Copyright Protects

Books

Music

Plays

Films

Dances

Exclusive Rights

Reproduce
Make derivatives
Distribute
Perform
Display

How Long Does © Last?

70 years after author's death

95 years from publication

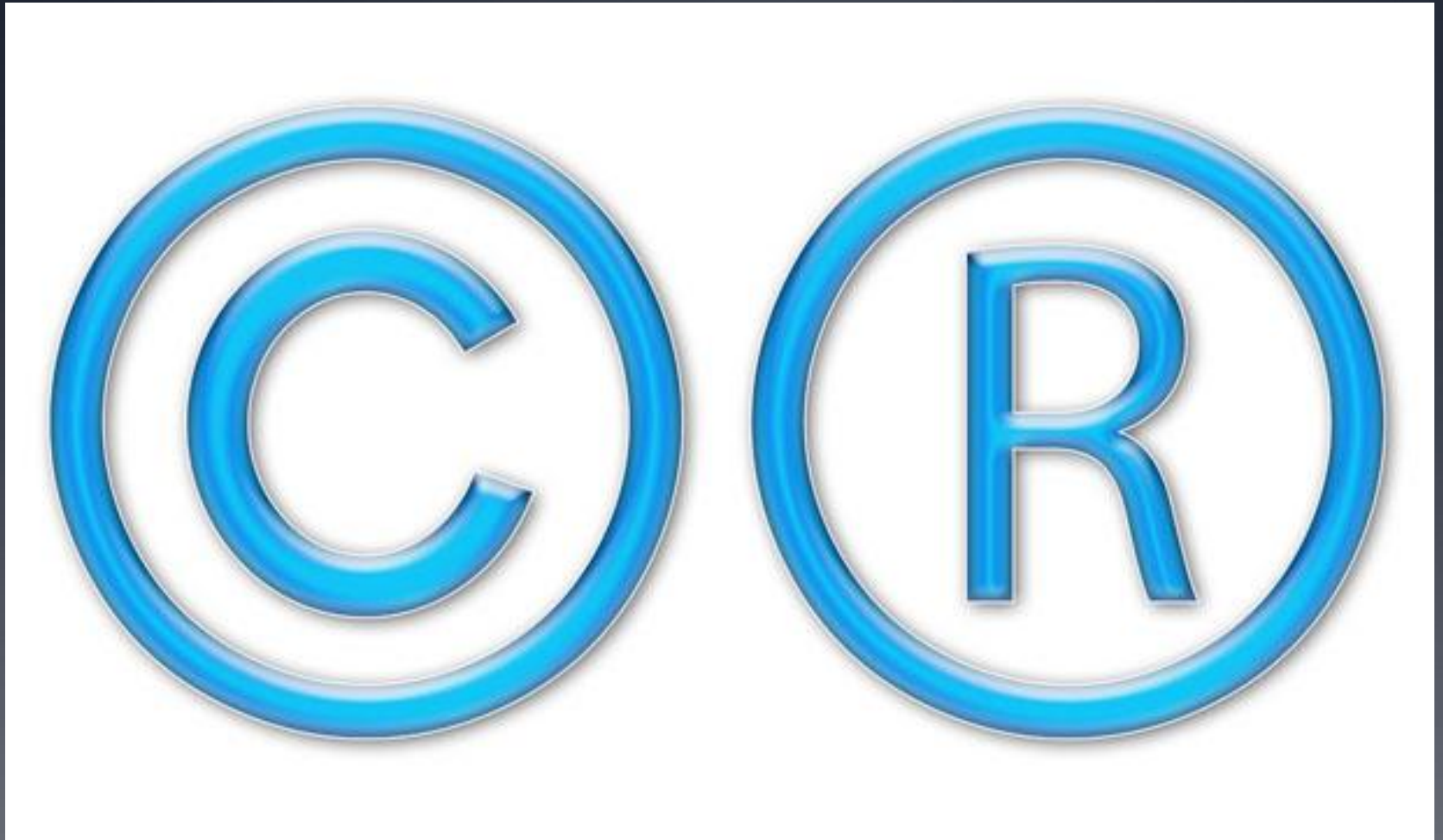
120 years from creation

Copyright Does Not Protect

Federal
publications

Public Domain
Material

Fair Use





Fair Use

- Usually ok
 - Parody
 - Critical commentary
- Usually not
 - Commercial

Fair Use

- Very rarely applicable
- Do Not rely on fair use protection



Trade Secret



Is It a Trade Secret?

Valuable

Secret

Difficult to ascertain

Trade Secrets

Formula for Coca-Cola

Customer Lists

Vendor Information

Source Code

2. IP Infringement Lawsuits

Expensive

Time consuming

Tarnish reputation

Unlikely to recoup costs

Patent Infringement

- Injunction
- Lost Profits
- Reasonable Royalty
- Treble damages
- Attorney fees

Patent Do's

Know your industry

Watch out for patent “trolls”

Obtain Field of Use opinion

Look for 7-digit patent numbers

Patent Don'ts

Ignore cease and desist letters

Disclose before patent analysis

Assume patent means no infringement

Trademark Infringement

Injunction

Damages and Infringer's profits

Treble damages

Attorney fees

Trademark Do's

Choose unique trademarks

Grab domain name first

Use trademarks as adjectives

Trademark Don'ts

- Allow unauthorized use of trademarks
- Use 3rd party trademarks
- Use similar trademarks
- Use trademarks as nouns

Copyright Infringement

Damages + Infringer's profit

Injunction

Statutory Damages

Attorney Fees

Copyright Infringement

- Statutory damages
 - \$750-\$30,000 per work
 - \$150K if willful and malicious
- Criminal
 - \$500,000
 - 5 years

Copyright Do's

Get an Assignment

From “author”

Payment not enough

Up front

Register valuable copyrights

Copyright Don'ts

Do not assume “fair use”

Do not assume “public domain”

Do not use without permission

Trade Secret Remedies

- Injunction
- Compensation
- Punitive damages
- Attorney fees

Trade Secret Do's

- Have employees sign NDA
- Incorporate into employee handbook
- Devise security protocols
- Incorporate NDA into contracts

Trade Secret Don'ts

Disclose Trade Secrets (even once)

Post sensitive information online

Hire without checking NDA restrictions

Terminate without NDA confirmation

3. Building a Portfolio

Adds value to company

Suitors may be able to leverage

Use as bargaining chip

Generate licensing income

Value

Primary asset – All IT companies

Delays competitors

Provides potential revenue stream

Value

Marketing advantage

Increases the value of the company

Great bargaining chip in litigation

Patent Cons

- Expensive \$5K-\$20K
- Slow 18-48+ months
- No infringement protection
- Expires 20 years

Patents Pros

Difficult to design around
3x damages + attorney fees
Hinders reverse engineering
in terrorem effect

Trademark Cons

Goods/services specific

Must show actual use

Trademark Cons

Requires continuous renewal

No generic or descriptive marks

Trademark Pros

Potentially infinite duration

Use = common law rights

Trademark Pros

Federal registration provides

Treble Damages

Attorney Fees

Copyright Cons

Registration required to bring suit

Does not protect functionality

Vesting of original ownership often
confusing

Copyright Pros

Registration not required
Inexpensive
Protection automatically attaches
Attorney Fees

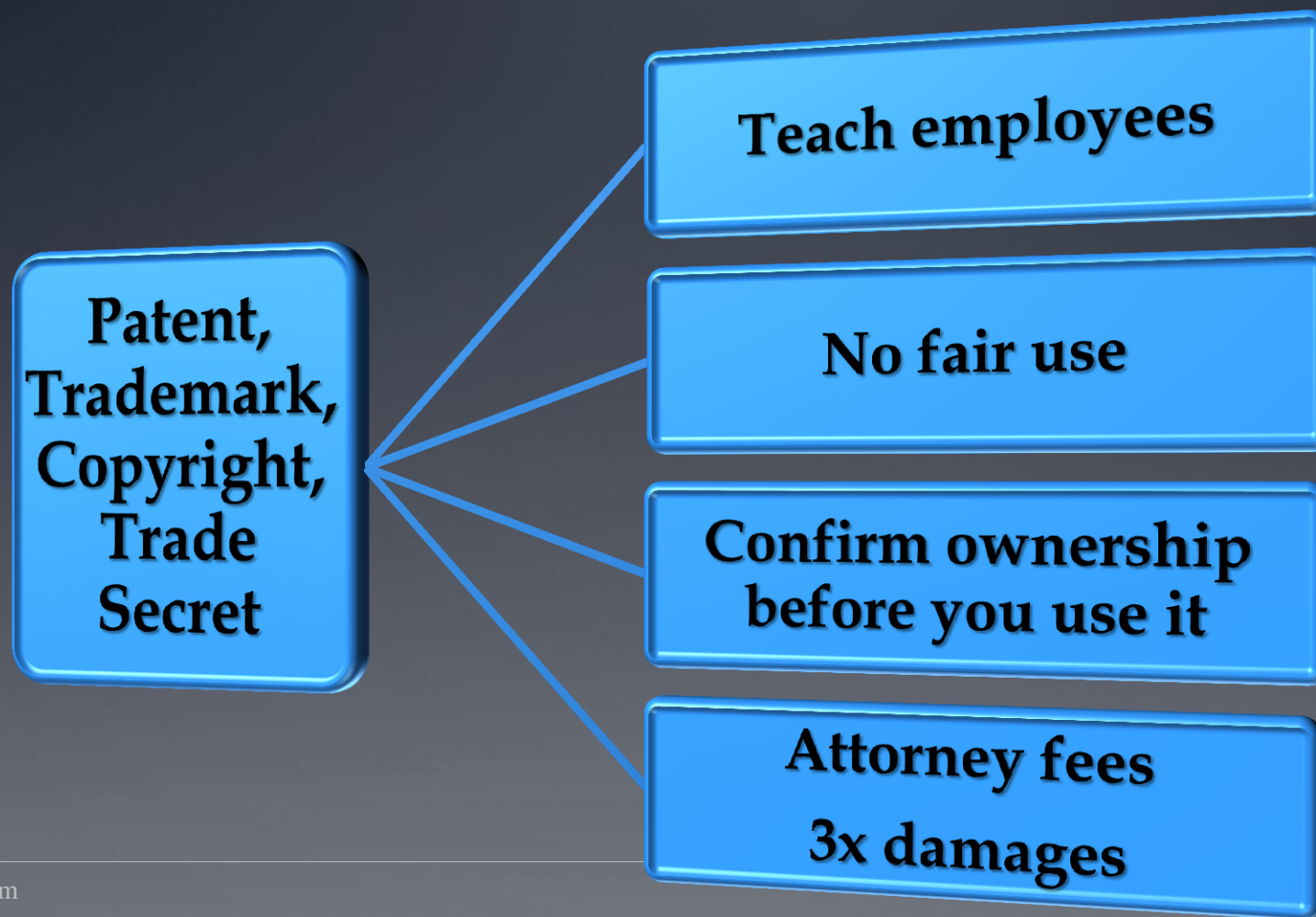
Trade Secrets Cons

Could be gone tomorrow
Not if you can reverse engineer
Must try to prevent disclosure

Trade Secret Pros

No need to disclose
Potentially infinite duration
Inexpensive
Covers Ideas

Know the Issues



Questions?